

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 9/30/2011

GAIN Report Number: GR1111

Greece

Canned Deciduous Fruit Annual

Canned Deciduous Fruit 2011

Approved By:

Jim Dever

Prepared By:

Ornella Bettini

Report Highlights:

MY 2011/12 Greek cling peach production is estimated at 330,000 metric tons (MT), significantly down from last year. The smaller harvest in Greece is due largely to the uprooting of peach trees in Imathia and Pella at the end of last season, as growers switched to other crops. Also, hailstorms in May and June both reduced the quality and the size of late varieties. The Greek canned peach industry is in transition and recovering from difficult circumstances. In MY 2011/12, Greece is expected to work off burdensome stocks due to improved demand as well as to reduced competition from China (due to greater domestic consumption). Sources report that due to the global financial crisis and the Greek debt crisis, the government no longer earmarks EU aid for historic peach producers but now pools it with all other EU aid. Thus, peach producer received no aid or emergency income support in 2009 and 2010 or

thus far in 2011. The lack of earmarked aid is also expected to accelerate the transition from cling peaches to other horticultural production.

CANNED PEACHES

Production

Horticultural production, especially fruit production, generates about 1/3 of agricultural income. Table 1. shows Greece's annual harvested production of fresh peaches, pears, and apricots (see GR1108 for additional information).

Table 1. Annual Fresh Fruit Production (MT)

	2009/10	2010/11	2011/12
Fresh Peaches	779,800	681,300	630,000
Fresh Pears	43,000	54,000	46,000
Fresh Apricots	52,100	74,000	42,500

Source: Eurostat and industry contacts

Cling Peaches: Peach production is far less concentrated in Greece than in the United States. Greek farms are typically four or five hectares, much smaller than the average size in either the EU or the United States. Although there are no official statistics, cling peaches are grown on approximately 23,900 hectares in six territories of Central Macedonia and Thessaly, located in northern Greece. As a result of the downturn in the industry, some smaller growers reportedly are switching to apples, kiwis, or table peach production. There are about 17 peach processors in Greece, compared to four in the United States. Most Greek peach processors are located in Central Macedonia, particularly in Pella and Imathia counties.

MY 2011/12 Greek cling peach production is estimated at 330,000 metric tons (MT), significantly down from last year. The smaller harvest in Greece is due largely to the uprooting of peach trees in Imathia and Pella at the end of last season, as growers switched to other crops. Also, hailstorms in May and June both reduced the quality and the size of late varieties. An estimated 320,000 MT of the MY 2011/12 crop was harvested and sold to canners and other processors, with the remainder sold for fresh consumption or left on the farm. Table 2. shows the conversion rate for raw cling peaches to canned peaches and puree.

Table 2. Conversion Rates for Canned Peach Production

1 standard case = 17 kg of grade I peaches raw + 2 kg of rejected peaches used for puree
1 case = 20.4 kg (11.52 kg drained weight)
1 MT = 45 standard cartons of 24 x 850 ml peaches

Canned Peaches: The Greek canned peach industry depends on domestic fresh peach production for all of its raw material. Of the 330,000 MT of cling peaches harvested and bought by processors, the industry will can 180,000 MT, puree 90,000 MT (for juice), dice 30,000 MT (for mixes), and freeze 20,000 MT.

Table 3. Cling Peach Production and Processing (MT)

	2009/10	2010/11	2011/12*
Production	450,000	400,000	330,000
Procured	280,000	390,000	320,000
Canned	160,000	180,000	180,000
Juiced	80,000	150,000	90,000
Diced	20,000	30,000	30,000
Frozen	20,000	30,000	20,000

*Final estimates will be released by the end of October and may differ by 2-3 percent.

The Greek canned peach industry is in transition and recovering from difficult circumstances. MY 2008/09 was the first year in which production exceeded demand due to increased export competition from China, coupled with reduced demand due to the global financial crisis. In MY 2009/10, processors adjusted by limiting purchases of raw material and reducing prices. Producers, especially marginal ones, who do not have the same flexibility will opt out to produce other crops and continue to press the government for additional assistance. In MY 2010/11 processors continued to adjust. In MY 2011/12 Greece is expected to work off burdensome stocks due to improved demand as well as to reduced competition from China (due to greater domestic consumption). Observers expect the Greek industry will stabilize around its current level while cling peach production will continue to decline.

Table 4. Canned Peach Production (Million Std Greek Cases)

	2009/10	2010/11	2011/12
Begin Stocks	7.5	4.9	2.2
Production	10.0	10.8	11.0
Total Supply	17.5	15.7	13.2
Consumption	0	0	0
Exports	12.6	13.5	13.6
Total Use	12.6	13.5	11.6
End Stocks	4.9	2.2	1.6
Total Distribution	17.5	15.7	13.2

Greece will produce a similar volume of canned peaches this year compared to 2010 despite a reduced crop volume and rising production costs. Raw material prices are reported to have climbed sharply, reaching €0.17-20/kg.

Prices

Processors increased MY 2011/12 prices to €0.25/kg. for grade 1 peaches for canning due to the increased demand and reduced competition from China. Prices for cling peaches for other uses are generally lower (€0.15/kg.).

Table 5. Cling Peach Grower Prices

	2004	2005	2006	2007	2009	2010	2011
Paid by canners (€/kg)	0.22	0.19	0.23	0.23	0.18	0.20	0.25
Aid to grower (€/kg)	0.05	0.05	0.05	0.05	0	0	0
Total (€/kg)	0.27	0.24	0.28	0.28	0.18	0.20	0.25

Source: United States International Trade Commission and industry sources

Sources report that production costs for an average size (7-acre) cling peach farm is €0.17/kg and about €0.15/kg for larger (25-acre) producers.

Lack of financial support is the chief reason for peach growers' protests, which receive national and international attention when they block highways and ports. Sources report that due to the global financial crisis and the Greek debt crisis, the government no longer earmarks EU aid for historic peach producers but now pools it with all other EU aid. Thus, peach producer received no aid or emergency income support in 2009 and 2010 or thus far in 2011. The lack of earmarked aid is also expected to accelerate the transition from cling peaches to other horticultural production.

Several things should be done in the short term to ease this transition. Observers note that coops, which play a major role in marketing cling peaches, are inefficient and can cost producers as much as €0.03/kg. However, despite their weak financial situation, coops still represent the interests of an important portion of Greek producers. Reforming the coop system may make peach production more profitable for producers. Additionally, it may be possible to reduce costs for seasonal labor.

Trade

Greece is the largest exporter of canned peaches in the world, accounting for over one-third of global canned peach exports. Most (about 76 percent) of Greek canned peach exports are destined for other EU countries. Sources expect increased exports to SE Asia, particularly Thailand, where international processors repack, mix, and re-export canned fruit to the United States and other markets. Greek exports resumed on October 1, 2010, following a 10-day work stoppage due to protests by truck drivers angry at new austerity reforms being introduced by the country's government. The drivers reportedly blocked key roads in the country to protest plans for overhauling licensing rules as part of the measures Greece agreed to in order to receive international rescue loans and avoid bankruptcy. The strike ended when the Greek government threatened to jail striking truck drivers and strip them of their licenses.

Table 6. Greek Exports of Canned Peaches (MT)

	2009/2010	2010/2011
EU-27	201,305	204,224
Germany	63,205	65,066
Poland	23,893	24,072
United Kingdom	20,279	24,009
France	17,543	16,460
Italy	15,176	16,028
Austria	13,361	11,631
Extra EU-27	62,208	93,099
Thailand	12,140	19,046
United States	7,675	9,020
Russia	5,152	8,553
Egypt	5,000	4,514
United Arab Emirates	3,743	2,548
World	263,513	297,323

Source: GTA

Policy

Background on EU Subsidies: For decades the U.S. canned peach industry has sought relief from the EU's canned peach subsidies. The long history of the U.S. dispute with the EU over its canned fruit subsidy regime has included numerous U.S. government interventions at the very highest levels, even including a bilateral agreement under which the EU agreed to discontinue subsidizing its canned peach processors. Despite these efforts, subsidized EU canned peaches weaken the competitive position of U.S. canned peach growers and processors relative to their EU counterparts. Consumption of canned peaches within the United States has fallen alongside domestic production since 2002. While imports accounted for 8 percent of U.S. consumption in 2004, they rose to 18 percent of consumption in 2006, with similar trends in canned pears (12 percent to 16 percent) and in canned fruit mixtures (3 percent to 7 percent).

The United States is the largest producer of canned peaches in the world followed by Greece. Accession into the European Union greatly enhanced Greek peach production. When Greece entered the European Union, Greek producers received production subsidies, access to the EU market, and protection from foreign competition.

CAP Reforms: The aim of the Common Market Organization (CMO) reforms, which entered into force on January 1, 2008, was to bring the Fruits and Vegetable (F&V) sector in line with other agricultural sectors that have already been reformed under the Common Agricultural Policy (CAP) (Council Regulation 1182/2007). Under this reform, the old-style production-linked payments are being replaced by decoupled payments. The shift from production support to direct aid to producers is designed to improve the competitiveness, market orientation, and sustainability of the sector. Commission Regulation 1580/2007 lays down rules for the implementation of the reform.

The F&V sectors were integrated in the Single Payment Scheme (SPS), and land utilized for F&V production (including orchards and potatoes for human consumption) will be eligible for payments under the decoupled aid scheme, which already applies in other farm sectors. All existing support for processed F&V (tomatoes, citrus fruit, peaches, pears, prunes, figs, and dried grapes) has been decoupled and Member States' (MS) budgetary ceilings for the SPS were increased accordingly.

Within the framework of the SPS, the calculation of the budget to be paid to the farmers is based on the historical average payments received by peach growers (see below). However, these amounts have been globally added to the SPS envelope, and they can be reattributed among farmers (in conformity with point A of annex IX of Regulation 73/2009 - previously point M of annex VII of Regulation 1973/2004).

Subsidies: Unlike the United States, Greece has provided direct decoupled payments to peach and pear growers under the EU Common Agricultural Policy (CAP). Following the 2008 reforms of the CAP Common Market Organization for fruit and vegetable production, the Greek government announced that it would have followed a fully decoupled payment scheme and would have allocated €11.8 million of its awarded CAP subsidies to historic (base period) peach producers from 2008 to 2013. However, due to the global financial crisis and the Greek debt crisis, sources now report that the €11.8 million have never been earmarked for peach growers. Sources also report that the government did not provide emergency support to peach growers.

Marketing

The purée market is quickly expanding in Greece, and most Greek peach producers have opened a purée line. Purée production uses a large amount of fresh peaches, and as this market expands the cost of Greek cling peaches may rise.

CANNED MIXED FRUIT

There are no official statistics for pear and apricot production. Greece is the second largest canned fruit mixtures producer in the EU behind Italy, and it accounts for about 26 percent of EU production. Canned fruit mixtures usually consist of peaches, pears, cherries, pineapples, and grapes. Greece is a minor producer of canned pears and is the fourth largest canned pear producer in the EU behind Italy, Spain, and France.

Greece is a net-exporter of canned fruit mixtures. While far behind canned peaches in terms of value, canned fruit mixtures are Greece's second most important canned fruit export. About 68 percent of Greek canned fruit mixture exports went to other EU countries in MY 2010/11.

Table 7. Greek Exports of Canned Fruit Mixtures (MT)

	2009/2010	2010/2011
EU-27	17,029	11,378
Germany	5,360	4,332
Netherlands	4,359	1,047
United Kingdom	3,361	1,947
Finland	1,118	1,027
Sweden	776	674
Extra EU-27	4,237	5,268
Japan	1,525	1,709
Canada	748	415
Switzerland	620	614
World	19,406	16,646

Source: GTA

While Greece did not import any canned fruit mixtures from the United States during MY 2010/11, it did import limited quantities during MY 2007/08 and 2008/09. In MY 2010/11, 69 percent of Greece's imported canned fruit mixtures came from other EU countries. Greece is a minor destination for U.S. exports of canned fruit mixtures, as the majority goes to Japan, Canada, Switzerland, Mexico, Saudi Arabia, and others.

CANNED APRICOTS

Greece is a net-exporter of canned apricots. Canned apricots are Greece's third most important canned fruit export. About 90 percent of Greek canned apricot exports go to other EU countries.

Table 8. Greek Exports of Canned Apricots (MT)

	2009/2010	2010/2011
EU-27	12,209	18,326
France	5,814	7,482
Germany	3,566	6,183
Italy	672	1,925
Czech Republic	536	467
United Kingdom	457	589
Extra EU-27	1,238	2,313
Libya	284	112
Albania	216	148
Saudi Arabia	114	67
Russia	112	42
World	13,447	20,639

Source: GTA

Greece began to import canned apricots from the United States during the first half of 2009. In MY 2010/11, 74 percent of Greece's imported canned apricots came from other EU countries.

CANNED PEARS

Greece is a net-importer of canned pears. Canned pears are Greece's least important canned fruit export.

Table 9. Greek Exports of Canned Pears (MT)

	2009/2010	2010/2011
EU-27	600	91
Germany	283	36
United Kingdom	293	11
Poland	21	5
Extra EU-27	142	340
Canada	88	32
Japan	18	0
Angola	18	0
Albania	15	5
World	742	431

Source: GTA

Table 10. Greek Imports of Canned Pears (MT)

	2009/2010	2010/2011
EU-27	191	161
Italy	113	68
Germany	69	88
Extra EU-27	3,669	3,342
China	2,410	2,111
Argentina	1,188	1,068
South Africa	71	164
World	3,860	3,503

Source: GTA